

Bethlehem Area School District takes out \$15.8 million loan to pay summer bills

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BETHLEHEM | The Bethlehem Area School District won't shut down come July 1.

In an 8-0 vote Monday night, the school board approved taking out a \$15.8 million loan to make payroll this summer as the district waits for tax payments and state funding to roll in.

This is the second year in a row the financially struggling district needed a summer loan to help the district get through a temporary cash shortage.

Last year, the district paid back its \$9.9 million loan by Sept. 30 at a cost of about \$30,000. This new loan is estimated to cost the district about \$59,250, and the district can pay it back at the end of each quarter.

While the district hopes to pay it all back by the end of September, if there is a lengthy budget crisis in Harrisburg, it might take longer to pay back and would cost more, according to district business manager Stanley J. Majewski Jr.

And if the district doesn't take out the loan?

"We don't make payroll," Majewski said.

Director Irene Follweiler, who voted in support of the loan, said she did so with great pain. When she asked whether the district would need another loan next summer, Majewski said it's likely. Last summer the district had a roughly \$3 million deficit and now it is projecting a \$7.2 million one by the end of this fiscal year. Even if the district pays down the deficit with contingency funds, it likely still will have a deficit in the millions, he said.

Wachovia Bank won the bid for the loan.

District financial adviser Scott Shearer, of Public Finance Management, told board members he initially recommended a variable rate loan due to its more flexible repayment schedule and more favorable interest rates.

But market changes in the past few days have made the fixed rate a safer deal, Shearer and the administration said.

Public Finance Management waived its fees on the loan issue as did Wachovia but the loan cost the district up to \$8,500 in legal fees, Shearer said.